

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

FEDEX CORPORATION,
Petitioner,

v.

RONALD A. KATZ TECHNOLOGY LICENSING, L.P.,
Patent Owner.

Case CBM2015-00053
Patent 6,292,547 B1

Before JOSIAH C. COCKS, JUSTIN BUSCH, and
MICHELLE N. WORMMEESTER, *Administrative Patent Judges*.

WORMMEESTER, *Administrative Patent Judge*.

DECISION

Denying Institution of Covered Business Method Patent Review
37 C.F.R. § 42.208

I. INTRODUCTION

A. Background

FedEx Corporation (“Petitioner”) filed a Petition requesting covered business method (“CBM”) review of claims 11 and 18 of U.S. Patent No. 6,292,547 B1 (Ex. 1001, “the ’547 patent”). Paper 2 (“Pet.”). Ronald A. Katz Technology Licensing, L.P. (“Patent Owner”) filed a Preliminary Response. Paper 8 (“Prelim. Resp.”). A CBM review may not be instituted “unless . . . it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.” 35 U.S.C. § 324(a).

Upon consideration of the Petition, and for the reasons explained below, we determine that Petitioner has not demonstrated that the ’547 patent is a covered business method patent and, thus, do not institute a covered business method review of the ’547 patent.

B. Related Proceedings

The parties identify the following case involving the ’547 patent: *Ronald A. Katz Technology Licensing, L.P. v. American Airlines*, No. 2:06-cv-00334 (E.D. Tex.). Pet. 2; Paper 6, 2. Petitioner identifies thirty-one other federal district court cases (Ex. 1004, 1–2) and one federal court of appeals case (Pet. 2) involving the ’547 patent or a related patent. Petitioner also identifies three U.S. Patent and Trademark Office reexaminations involving the ’547 patent or a related patent. Ex. 1004, 1.

C. The '547 Patent

The '547 patent is titled "Telephonic-Interface Statistical Analysis System." The Abstract describes the subject matter as follows:

A system D interfaces with a multiplicity of individual terminals T1-Tn of a telephone network facility C, at the terminals callers are prompted by voice-generated instructions to provide digital data that is identified for positive association with a caller and is stored for processing. The caller's identification data is confirmed using various techniques and callers may be ranked and accounted for on the basis of entitlement, sequence or demographics. Callers are assigned random designations that are stored along with statistical and identification data. A break-off control circuit may terminate the computer interface aborting to a terminal for direct communication with an operator. Real-time operation processing is an alternative to stored data. The accumulation of stored data (statistical, calling order sequence, etc.) is variously processed and correlated as with developed or established data to isolate a select group or subset of callers who can be readily identified and reliably confirmed. Different program formats variously control the processing of statistical data as for auction sales, contests, lotteries, polls, commercials and so on.

Ex. 1001, Abstract.

D. The Challenged Claims

Petitioner challenges claims 11 and 18 of the '547 patent.

Independent claim 11 is illustrative of the claimed subject matter and is reproduced below:

11. An analysis control system for use with a communication facility including remote terminals for individual callers, wherein each of said remote terminals comprises a telephonic instrument including a voice communication device and digital input device in the form of an array of alphabetic numeric buttons for providing data and wherein said communication

facility has a capability to automatically provide terminal digital data, indicating a calling telephone number, said analysis control system comprising:

- interface structure coupled to said communication facility to interface said remote terminals for voice and digital communication and including means to provide caller data signals representative of data relating to said individual callers provided from said remote terminals or automatically provided by the communication facility with respect to the remote terminals prior to the close of communication with the callers including caller personal identification data entered by the caller via the digital input device and said terminal digital data indicative of a calling telephone number;
- record testing structure connected to receive and test said caller data signals indicative of said terminal digital data representative of said calling telephone number and said caller personal identification data against previously stored terminal digital data and caller personal identification data;
- storage structure for storing certain of said data provided by said individual callers including item data for ordering particular items; and
- analysis structure for receiving and processing said caller data signals under control of said record testing structure.

Ex. 1001, 22:50–23:15.

E. Asserted Grounds of Unpatentability

Petitioner contends that the challenged claims are unpatentable under 35 U.S.C § 101 or § 103 based on the following grounds. Pet. 27–66.

Reference(s)	Basis	Claims Challenged
None	§ 101	11, 18
Jordan ¹ and Michlin ²	§ 103	11, 18

II. ANALYSIS

A. *Real Party-in-Interest*

We first address Patent Owner’s contention that the Petition should be denied because Petitioner has failed to name four subsidiaries as real parties-in-interest, specifically: Federal Express Corporation; FedEx Corporate Services, Inc.; FedEx Customer Information Services, Inc.; and FedEx Information Services. *See* Prelim. Resp. 24–25.

Patent Owner’s Preliminary Response fails to provide persuasive evidence that FedEx Corporate Services, Inc. and FedEx Information Services are real parties-in-interest. According to Patent Owner, Petitioner and “these entities share corporate leadership.” *Id.* (citing Ex. 2012). Thus, Patent Owner contends, “decisions made regarding this Petition on behalf of Petitioner are also decisions necessarily under the control of these subsidiaries.” *Id.* at 25. We are not persuaded by this argument. As the Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2014), makes clear, and as Patent Owner acknowledges (Prelim. Resp. 25), an important factor in determining real party-in-interest is control or the ability to control the proceeding. *See Zoll Lifecor Corp. v. Philips Elecs. N. Am. Corp.*, Case IPR2013-00609, slip op. at 10 (PTAB Mar. 20, 2014) (Paper 15). Although Patent Owner’s evidence may demonstrate shared corporate leadership among the three entities (i.e., Petitioner, FedEx

¹ Jordan, US 4,313,035, issued Jan. 26, 1982 (Ex. 1009).

² Michlin, US 4,191,402, issued Mar. 4, 1980 (Ex. 1008).

Corporate Services, Inc., and FedEx Information Services, Inc.), Patent Owner's evidence does not demonstrate sufficiently that FedEx Corporate Services, Inc. and FedEx Information Services, Inc. exercised or could have exercised control over Petitioner's filing of the Petition. *See U.S. v. Bestfoods*, 524 U.S. 51, 69 (1998) ("This recognition that the corporate personalities remain distinct has its corollary in the 'well established principle [of corporate law] that directors and officers holding positions with a parent and its subsidiary can and do "change hats" to represent the two corporations separately, despite their common ownership."); *see also Compass Bank v. Intellectual Ventures II LLC*, Case IPR2014-00724, slip op. at 10–11 (PTAB Nov. 6, 2014) (Paper 12) (the existence of a parent-subsidary relationship alone is not sufficient to establish real party-in-interest). Moreover, the fact that Petitioner, FedEx Corporate Services, Inc., and FedEx Information Services are co-defendants in a pending litigation (*see* Prelim. Resp. 24–25), without more, is insufficient evidence to demonstrate control of this proceeding by the unnamed parties. *See Denso Corp. v. Beacon Navigation GmbH*, Case IPR2013-00026, slip op. at 10–11 (PTAB Mar. 14, 2014) (Paper 34).

Patent Owner also fails to provide persuasive evidence that Federal Express Corporation and FedEx Customer Information Services, Inc. are real parties-in-interest. Patent Owner's sole argument with respect to these entities is that they and Petitioner are co-defendants in a pending litigation. *See* Prelim. Resp. 24. Again, Patent Owner has not provided sufficient proof that these entities are real parties-in-interest. Therefore, based on the evidence of record, Patent Owner's contention that Federal Express Corporation and FedEx Customer Information Services, Inc. also are real

parties-in-interest simply because they and Petitioner are co-defendants in a pending litigation is not persuasive. *See Denso Corp.*, Case IPR2013-00026, slip op. at 10–11.

We therefore determine that, on this record, the Petition should not be denied on this basis.

B. Declaration of S. Thomas Emerson, Ph.D.

Patent Owner contends that the Emerson Declaration (Ex. 1003) “is non-compliant with the rules and statutes governing the submission of direct testimony in this proceeding” because the Declaration “is not sworn under penalty of perjury and does not include any statements or warnings whatsoever as to the truth of the statements made therein or the ramifications of making any false statements.” Prelim. Resp. 27. According to Patent Owner, the Emerson Declaration “should be given no weight as evidence.” *Id.* We are persuaded by Patent Owner’s contention.

In a CBM proceeding, “[e]vidence consists of affidavits,³ transcripts of depositions, documents, and things.” 37 C.F.R. § 42.63. The Emerson Declaration does not meet the required form of evidence in this proceeding because, as indicated in the Declaration, the Declarant was not warned that willful false statements are punishable by fine or imprisonment,⁴ or sworn

³ “*Affidavit* means affidavit or declaration under § 1.68 of this chapter. A transcript of an ex parte deposition or a declaration under 28 U.S.C. 1746 may be used as an affidavit.” 37 C.F.R. § 42.2.

⁴ *See* 37 C.F.R. § 1.68 (stating that a declaration may be used in lieu of an oath “if, and only if, the declarant is on the same document, warned that willful false statements and the like are punishable by fine or imprisonment.”); 37 C.F.R. § 42.2 (defining the term “affidavit” in a CBM proceeding as an “affidavit or declaration under § 1.68 of this chapter”).

under penalty of perjury.⁵ Thus, we give no weight to the Emerson Declaration.

C. Qualification of the '547 Patent As a CBM Patent

Under § 18(a)(1)(E) of the Leahy-Smith America Invents Act (“AIA”), the Board may institute a transitional proceeding only for a patent that is a CBM patent. Section 18(d)(1) of the AIA defines the term “covered business method patent” to mean:

a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.

The determination of whether a patent is eligible for CBM patent review is based on what the patent claims. A patent having just one claim directed to subject matter falling within the definition of a CBM patent is eligible for review even if the patent includes additional claims that are not directed to such subject matter. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (Response to Comment 8).

The legislative history explains that the definition of a CBM patent was drafted to encompass patents “claiming activities that are financial in

⁵ *See* 28 U.S.C. § 1746 (stating that unsworn declarations under penalty of perjury may be used where a matter is required or permitted to be supported by sworn declaration or affidavit); 37 C.F.R. § 42.2 (noting that “a declaration under 28 U.S.C. 1746 may be used as an affidavit” in a CBM proceeding).

nature, incidental to a financial activity or complementary to a financial activity,” and that “financial product or service” should be interpreted broadly. 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer). The legislative history states further that, “[a]t its most basic, a financial product is an agreement between two parties stipulating movements of money.” *Id.* The breadth of interpretation, however, has limits and does not cover every method that *might* be used in a way that is incidental or complementary to a financial activity. *See Salesforce.com, Inc. v. Applications in Internet Time LLC*, CBM2014-00162, slip op. at 9–10 (PTAB Feb. 2, 2015) (Paper 11).

Claim 11 of the ’547 patent recites an analysis control system comprising interface structure, record testing structure, storage structure, and analysis structure. *See* Ex. 1001, 22:50–23:15. The interface structure interfaces with a remote terminal of a caller. *See id.* at 22:59–60. The interface structure also provides data relating to the caller, such as the caller’s personal identification data and terminal digital data. *See id.* at 22:61–23:2. The data can be provided from the remote terminal. *See id.* at 22:62–63, 67. The record testing structure receives the personal identification data and terminal digital data, and then tests those data against previously-stored personal identification data and terminal digital data. *See id.* at 23:3–8. The storage structure stores certain data relating to the caller, including item data for ordering particular items. *See id.* at 23:9–11. The analysis structure receives and processes data relating to the caller. *See id.* 23:13–15. None of the claims expressly recites a method or apparatus “for performing data processing or other operations used in the practice, administration, or management of a financial product or service.” Indeed,

the claims on their face are directed to technology “common in business environments across sectors” with “no particular relation to the financial services sector,” which the legislative history indicates is outside the scope of covered business method patent review. 157 Cong. Rec. S5441 (daily ed. Sept. 8, 2011) (statement of Sen. Leahy); *see also* Prelim. Resp. 24 (“claims 11 and 18 are tailored to a telephonic interface system providing security that enables access to the system only to those who are entitled to use it”).

In support of its argument that the ’547 patent is a covered business method patent eligible for review under section 18 of the AIA, Petitioner relies on the claim language. First, Petitioner points out that claim 11 recites “item data for ordering particular items.” *See* Pet. 7. Petitioner contends that claim 11 “specifically relate[s] to a system that is financial in nature and complementary to financial matters” because “[i]tem ordering is a financial process.” *Id.* Claim 11, however, does not recite item ordering. Rather, claim 11 recites “storing . . . item data for ordering particular items.” Ex. 1001, 23:9–11.

Petitioner does not explain persuasively how storing data for ordering particular items relates to the practice, administration, or management of a *financial product or service*. *See* AIA § 18(d)(1). We note that Petitioner directs us to a passage from the written description, which, according to Petitioner, “confirms that the claims are directed to financial systems, such as systems used ‘to automate a promotion or mail-order operation, even to the extent of including inventory control.’” Pet. 7 (quoting Ex. 1001, 3:39–42). We are not persuaded that such disclosures from the specification are sufficient to show that any claim is directed to or even incidental to an activity that is financial in nature. For example, a mail-order operation is not

necessarily financial in nature or incidental or complementary to a financial activity. As the passage relied on by Petitioner states, a mail-order operation can be used for inventory control. *See* Ex. 1001, 3:39–42. Petitioner does not proffer any persuasive evidence showing that inventory control necessarily involves “movements of money.” *See* 157 Cong. Rec. S5432 (statement of Sen. Schumer). Moreover, with respect to other applications of the invention, the written description discusses “isolat[ing] a subset of people who are susceptible to a particular disease or infirmity,” without mentioning any movements of money. *See* Ex. 1001, 5:66–6:1. The claimed invention, therefore, covers various types of transactions separate from financial transactions.

Second, Petitioner contends that “the claimed order-entry system recited in claims 11 and 18 is ‘financial in nature’ or, at the very least, incidental or complementary to a financial activity” because claim 12, which depends from claim 11, “recites the use of a credit card number in connection with the ordering process.” Pet. 7–8. Again, claim 11 does not recite an ordering process. Moreover, we are not persuaded that using credit card data alone proves that the claims recite an activity that is necessarily financial in nature or incidental or complementary to a financial activity. For example, the written description explains:

[I]t may be important that the caller’s identity be subject to reliable verification. Other applications or programs also may present a critical need for positively verifiable identification to the extent that credit card numbers and/or personal identification numbers may be employed.

Ex. 1001, 6:18–23. Thus, the written description contemplates that a credit card may be used solely for identification purposes. Petitioner does not

explain how identifying a caller is financial in nature or incidental or complementary to a financial activity.

For these reasons, we are unpersuaded that Petitioner's contentions based on the claim language alone show that the '547 patent *claims* a method or apparatus "for performing data processing or other operations used in the practice, administration, or management of a financial product or service" or *claims* an activity that is "financial in nature, incidental to a financial activity or complementary to a financial activity."

Petitioner further relies on the nature of its accused product. In particular, Petitioner contends that "[t]he litigation behavior of Patent Owner is also telling, where it has asserted in district court that Petitioner's 'customer service and revenue service systems' infringe the '547 patent." Pet. 8. As discussed above, the AIA defines a CBM patent as "a patent that *claims* a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service." AIA § 18(d)(1) (emphasis added); 37 C.F.R. § 42.301(a). Accordingly, we focus on the claims for purposes of determining whether a patent is eligible for review as a CBM patent. *See* 77 Fed. Reg. at 48,736 (Response to Comment 8) ("Determination of whether a patent is a covered business method patent will be made based on the claims."). We do not find the nature of Petitioner's accused product determinative of whether the '547 patent is a CBM patent. For these reasons, we are unpersuaded by Petitioner's contention in this regard.

Finally, Petitioner relies on the classification of the '547 patent in Class 379/93.12, which Petitioner states is drawn to "[s]ubject matter wherein the transmitted digital message signal is used for financial

transactions.” Pet. 7. Petitioner also relies on the classification of the ’547 patent in Class 379/91.02, which Petitioner states is drawn to “[s]ubject matter including a switching facility having structure or circuitry for credit transaction processing.” *Id.* Even if the subclass definitions relate to a financial product or service, Petitioner fails to explain persuasively how the systems recited in the claims use a transmitted digital message signal for financial transactions or have structure or circuitry for credit transaction processing. For these reasons, we are not persuaded in this case that mere classification in Class 379 supports a conclusion that the ’547 patent claims a method or apparatus “for performing data processing or other operations used in the practice, administration, or management of a financial product or service,” as required by section 18(d)(1) of the AIA.

III. CONCLUSION

For the foregoing reasons, based on the present record and particular facts of this case, we determine that the information presented in the Petition does not establish that the ’547 patent qualifies as a covered business method patent under section 18 of the AIA. We, therefore, determine that Petitioner has failed to satisfy the jurisdictional requirements for a covered business method patent review under section 18.

IV. ORDER

Accordingly, it is:

ORDERED that the Petition is *denied* as to all challenged claims, and no trial is instituted.

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